

Message Text

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ACTION SS-25

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 4589

INFO AMEMBASSY KUWAIT

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C O N F I D E N T I A L CAIRO 5927

EXDIS

E.O. 11652: GDS

TAGS: EAID EGEN USEGJC

SUBJECT: EMERGENCY AID FOR EGYPT

REF CAIRO 5879; STATE 139871

1. AT UK RECEPTION LAST NIGHT I HAD OPPORTUNITY
SPEAK TO ABU ISMAIL ABOUT OUR PUZZLEMENT AT GOE'S
RELUCTANCE PROVIDE US WITH FIGURES ON EXPECTED SAUDI
AND KUWAITI AID. I DID SO IN LOW KEY FAHION, BUT MADE
THE POINT THAT IT IS ESSENTIAL WE HAVE COMPLETE MUTUAL
CONFIDENCE AND UNDERSTANDING BETWEEN US IF WE ARE
TO BE ABLE TO HELP. ABU ISMAIL GOT THE POINT. HE SAID
THAT HE HAD NOT YET GOTTEN ANYSAUDI OR KUWAITI MONEY,
HENCE HAD FELT HE COULD NOT GIVE FIGURES. HE AGREED
THAT THERE MUST BE FULL CONFIDENCE BETWEEN US
AND THAT WE SHOULD HAVE ALL THE NEEDED FIGURES. IT
SUBSEQUENTLY DEVELOPED THAT HE WAS CONCERNED FIGURES
ON SAUDI AND KUWAITI AID WOULD BE GIVEN TO OTHER
PROSPECTIVE DONORS AND MIGHT THEREFORE MAKE LATTER
LESS GENEROUS. I ASSURED HIM WE WOULD BE GUIDED BY
GOE'S WISHES ON WHAT USE IS MADE OF THESE FIGURES.

2. WHEN MEETING WITH ABU ISMAIL THIS MORNING (JUNE 15),
HE BROACHED THE SUBJECT. HE CONFIRMED SAUDI AID WILL
BE \$600 MILLION AND KUWAITI AID \$500 MILLION. KUWAITI
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AID WILL BE PAID IN FOUR INSTALLMENTS, THE FIRST

TWO OF 150 MILLION DOLLARS EACH AND THE SECOND TWO OF 100 MILLION DOLLARS EACH. FIRST DEPOSIT WILL BE MADE IN A FEW DAYS AND OVERALL TRANSACTIONS WILL BE COMPLETED BY MID-AUGUST AS GOE SELLS SECURITIES TO PROVIDE CASH. TERMS OF SAUDI AID, ACCORDING TO ABU ISMAIL, ARE NOT YET FINALIZED AND CENTRAL BANK GOVERNOR ZENDU IS GOING TO RIYADH NEGOTIATING THE DETAILS.

3. BOTH SAUDI AND KUWAITI MONIES WILL APPARENTLY BE PLACED ON "DEPOSIT" THEREBY ENABLING GOE TO DRAW FROM THESE DEPOSITS. ABU ISMAIL SPOKE SOMEWHAT VABUELY ABOUT INTEREST RATES GOE WOULD HAVE TO PAY FOR THESE DEPOSITS, OBSERVING THAT WHATEVER THE AGREEMENT MAY BE ON THIS POINT, GOE WILL NOT IN FINAL ANALYSIS NECESSARILY PAY SUCH RATESM AT ONE POINT HE SPOKE ABOUT 5 PERCENT OR 1 PERCENT INTEREST RATES AND I RATHER SUSPECT EGYPTIANS ARE ENGAGED IN SEEKING TO NEGOTIATE THE LOWER FIGURE.

4. ABU ISMAIL URGED THAT US TERMS FOR UPCOMING CIP LOANS BE FAVORABLE SO THAT GOE CAN USE THESE TO PRESS SAUDIS AND KUWAITIS TO MAKE THEIR TERMS ATTRACTIVE.

5. ON ANOTHER MATTER, WE ALSO DISCUSSED ABU ISMAIL'S REVISED DRAFT STATEMENT AND SOUGHT CLARIFICATION ON VARIOUS OUTSTANDING POINTS (CAIRO 5913). HE DID NOT HAVE NECESSARY DOCUMENTS WITH HIM, HENCE WE ARRANGED THAT HE, SARRAF AND TEMPLETON WILL MEET THIS EVENING TO REVIEW THE WHOLE MATTER.
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